



Texas Society of Certified Public Accountants and Affiliates

**Combined Financial Statements
May 31, 2023 and 2022**

Texas Society of Certified Public Accountants and Affiliates

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Independent Auditors' Report

To the Board of Directors of
Texas Society of Certified Public Accountants and Affiliates

Opinion

We have audited the accompanying combined financial statements of the Texas Society of Certified Public Accountants and Affiliates (nonprofit organizations) (collectively, the Organization), which comprise the combined statements of financial position as of May 31, 2023 and 2022, and the related combined statements of activities and change in net assets, functional expenses and cash flows for the years then ended, and the related notes to the combined financial statements.

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the combined financial position of the Organization as of May 31, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America (GAAP).

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Combined Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Change in Accounting Principle

As discussed in Note 2 to the combined financial statements, the Organization changed its method of accounting for its leases effective June 1, 2022 as required by the provisions of Financial Accounting Standards Update 2016-02, *Leases*. Our opinion is not modified with respect to that matter.

Responsibilities of Management for the Combined Financial Statements

Management is responsible for the preparation and fair presentation of the combined financial statements in accordance with GAAP, and for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of combined financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the combined financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern within one year after the date that the combined financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Combined Financial Statements

Our objectives are to obtain reasonable assurance about whether the combined financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the combined financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the combined financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the combined financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the combined financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the combined financial statements as a whole. The combining statement of financial position as of May 31, 2023, and the related combining statements of activities and changes in net assets and cash flows for the year then ended are presented for purposes of additional analysis and are not a required part of the combined financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the combined financial statements. The information has been subjected to the auditing procedures applied in the audit of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the information is fairly stated in all material respects in relation to the combined financial statements as a whole.



A Limited Liability Partnership

Arlington, Texas
October 24, 2023

Texas Society of Certified Public Accountants and Affiliates
Combined Statements of Financial Position
May 31, 2023 and 2022

	2023	2022
Assets		
Cash and cash equivalents	\$ 5,137,168	\$ 6,231,004
Investments	18,106,204	17,921,568
Accounts receivable, net	77,244	44,626
Federal income tax receivable	1,796	-
Deferred costs and prepaid expenses	324,321	229,419
Investments restricted for endowment purposes	371,948	303,464
Right-of-use assets - operating leases, net	1,058,505	-
Fixed assets, net	80,149	17,473
Total assets	\$ 25,157,335	\$ 24,747,554
Liabilities and Net Assets		
Liabilities:		
Accounts payable and other liabilities	\$ 1,025,467	\$ 1,007,076
Federal income tax payable	-	177
Due to local chapters	414,125	352,151
Deferred revenue	3,531,947	3,581,177
Deferred rent	-	36,054
Deferred tax liability	91,157	139,954
Right-of-use liabilities - operating leases, net	1,077,474	-
Total liabilities	6,140,170	5,116,589
Net assets:		
Without donor restrictions	18,645,217	19,327,501
With donor restrictions	371,948	303,464
Total net assets	19,017,165	19,630,965
Total liabilities and net assets	\$ 25,157,335	\$ 24,747,554

See notes to combined financial statements.

Texas Society of Certified Public Accountants and Affiliates
Combined Statements of Activities and Changes in Net Assets
Years Ended May 31, 2023 and 2022

	2023	2022
Net assets without donor restrictions:		
Revenues and other support:		
Membership dues	\$ 4,689,509	\$ 4,805,978
Continuing professional education	1,927,953	2,450,900
Peer review	950,131	1,039,854
Contributions	102,796	217,264
Contributions of nonfinancial assets	-	193,901
Government grant revenue	127,565	384,880
Sponsorships	197,268	154,910
Chapter management fees	464,700	322,976
Royalties	158,125	84,059
Net investment losses	(241,733)	(1,158,652)
Other income	209,629	207,311
Net assets released from restrictions	24,000	15,500
Total revenues and other support	8,609,943	8,718,881
Expenses:		
Program:		
Member activities	1,928,318	1,959,823
Continuing education	2,814,626	3,187,581
Regulatory and legislative	778,380	957,268
Peer review	850,269	954,808
Accounting education	503,913	387,012
External relations	37,005	74,280
Total program expenses	6,912,511	7,520,772
Supporting:		
General and administrative	2,360,228	1,741,401
Insurance trust	53,273	60,719
Total supporting expenses	2,413,501	1,802,120
Total expenses	9,326,012	9,322,892
Decrease in net assets without donor restrictions before taxes	(716,069)	(604,011)
Federal income tax benefit	(33,785)	(219,276)
Decrease in net assets without donor restrictions	(682,284)	(384,735)
Net assets with donor restrictions:		
Contributions	96,835	140,208
Net investment loss	(4,626)	-
Other income	275	-
Releases from net assets with donor restrictions	(24,000)	(15,500)
Increase in net assets with donor restrictions	68,484	124,708
Decrease in net assets	(613,800)	(260,027)
Net assets at beginning of year	19,630,965	19,890,992
Net assets at end of year	\$ 19,017,165	\$ 19,630,965

See notes to combined financial statements.

Texas Society of Certified Public Accountants and Affiliates
Combined Statement of Functional Expenses
Year Ended May 31, 2023

	Program Services						Supporting Services			Totals	
	Member Activities	Continuing Education	Regulatory and Legislative	Peer Review	Accounting Education	External Relations	Total Program	General and Administrative	Insurance Trust		Total Supporting
Salaries	\$ 1,384,648	\$ 1,277,912	\$ 392,568	\$ 821,798	\$ 234,568	\$ 27,295	\$ 4,138,789	\$ 674,145	\$ 29,995	\$ 704,140	\$ 4,842,929
Program	-	1,260,820	-	-	-	-	1,260,820	-	-	-	1,260,820
Occupancy	7,376	1,502	955	1,484	254	-	11,571	380,042	55	380,097	391,668
Meetings and travel	79,779	25,959	67,749	8,443	14,798	858	197,586	486,358	863	487,221	684,807
Professional fees	256,603	120,544	104,722	7,558	51,811	2,821	544,059	157,861	5,937	163,798	707,857
Bank and credit card fees	62	584	5	12	25	-	688	255,574	7	255,581	256,269
Office expenses	129,486	66,672	6,817	4,591	27,891	5,688	241,145	231,173	14,753	245,926	487,071
Dues and subscriptions	68,992	51,331	25,860	6,147	9,145	343	161,818	172,121	1,483	173,604	335,422
Scholarships and awards	-	-	600	-	164,949	-	165,549	-	-	-	165,549
Depreciation	1,372	9,302	94	236	472	-	11,476	2,954	180	3,134	14,610
Campaign contributions	-	-	179,010	-	-	-	179,010	-	-	-	179,010
	<u>\$ 1,928,318</u>	<u>\$ 2,814,626</u>	<u>\$ 778,380</u>	<u>\$ 850,269</u>	<u>\$ 503,913</u>	<u>\$ 37,005</u>	<u>\$ 6,912,511</u>	<u>\$ 2,360,228</u>	<u>\$ 53,273</u>	<u>\$ 2,413,501</u>	<u>\$ 9,326,012</u>

See notes to combined financial statements.

Texas Society of Certified Public Accountants and Affiliates
Combined Statement of Functional Expenses
Year Ended May 31, 2022

	Program Services						Supporting Services			Totals	
	Member Activities	Continuing Education	Regulatory and Legislative	Peer Review	Accounting Education	External Relations	Total Program	General and Administrative	Insurance Trust		Total Supporting
Salaries	\$ 1,187,513	\$ 1,123,786	\$ 638,401	\$ 820,894	\$ 152,899	\$ 25,916	\$ 3,949,409	\$ 675,522	\$ 30,056	\$ 705,578	\$ 4,654,987
Program	-	1,511,218	-	-	706	-	1,511,924	-	-	-	1,511,924
Occupancy	129,165	115,389	33,009	78,325	11,816	2,434	370,138	61,158	2,947	64,105	434,243
Meetings and travel	89,483	23,890	28,785	9,788	5,874	1,267	159,087	411,171	1,327	412,498	571,585
Professional fees	206,113	97,076	151,378	11,017	15,745	12,025	493,354	334,918	4,843	339,761	833,115
Bank and credit card fees	49,904	99,017	4,517	10,491	19,729	22	183,680	69,195	5,918	75,113	258,793
Office expenses	194,573	143,111	6,582	13,604	17,332	31,667	406,869	119,058	14,118	133,176	540,045
Dues and subscriptions	92,633	56,524	15,534	10,441	5,340	949	181,421	63,927	1,362	65,289	246,710
Scholarships and awards	-	-	-	-	157,039	-	157,039	-	-	-	157,039
Depreciation	10,439	17,570	112	248	532	-	28,901	6,452	148	6,600	35,501
Campaign contributions	-	-	78,950	-	-	-	78,950	-	-	-	78,950
	<u>\$ 1,959,823</u>	<u>\$ 3,187,581</u>	<u>\$ 957,268</u>	<u>\$ 954,808</u>	<u>\$ 387,012</u>	<u>\$ 74,280</u>	<u>\$ 7,520,772</u>	<u>\$ 1,741,401</u>	<u>\$ 60,719</u>	<u>\$ 1,802,120</u>	<u>\$ 9,322,892</u>

See notes to combined financial statements.

Texas Society of Certified Public Accountants and Affiliates
Combined Statements of Cash Flows
Years Ended May 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Cash flows from operating activities:		
Decrease in net assets	\$ (613,800)	\$ (260,027)
Adjustments to reconcile decrease in net assets to net cash provided (used) by operating activities:		
Depreciation	14,610	35,501
Amortization of right-of-use assets - operating leases	37,412	-
Change in allowance for doubtful accounts	916	(2,316)
Change in deferred tax liability	(48,797)	(236,468)
Net unrealized and realized losses on investments	745,385	1,499,597
Changes in assets and liabilities:		
Accounts receivable	(33,534)	65,588
Federal income tax receivable	(1,796)	-
Deferred costs and prepaid expenses	(94,902)	39,066
Accounts payable and other liabilities	18,391	362,086
Federal income tax payable	(177)	(3,183)
Due to local chapters	61,974	(15,529)
Deferred revenue	(49,230)	(33,172)
Deferred rent	(36,054)	(40,921)
Refundable advances	-	(211,955)
Right-of-use liabilities - operating leases	(18,443)	-
Net cash provided (used) by operating activities	<u>(18,045)</u>	<u>1,198,267</u>
Cash flows from investing activities:		
Purchases of investments	(3,228,199)	(2,965,621)
Proceeds from sales of investments	2,229,694	625,400
Purchases of fixed assets	(77,286)	-
Net cash used by investing activities	<u>(1,075,791)</u>	<u>(2,340,221)</u>
Net decrease in cash and cash equivalents	(1,093,836)	(1,141,954)
Cash and cash equivalents at beginning of year	<u>6,231,004</u>	<u>7,372,958</u>
Cash and cash equivalents at end of year	<u>\$ 5,137,168</u>	<u>\$ 6,231,004</u>
Supplemental cash flow information:		
Right-of-use assets obtained in exchange for new lease liabilities	<u>\$ 1,095,917</u>	<u>\$ -</u>

See notes to combined financial statements.

Texas Society of Certified Public Accountants and Affiliates

Notes to Combined Financial Statements

1. Organization

The Texas Society of Certified Public Accountants (Society) was organized for the purpose of furthering the accounting profession and exists to support its members in their professional endeavors and to promote the value and high standards of Texas Certified Public Accountants (CPAs). The work of the Society pervades all areas of the accounting profession – influencing standard setting, practice management, public service, ethics enforcement, image enhancement, continuing education and influencing regulation and legislation. The Society's voluntary membership is composed of CPAs located primarily in Texas.

The Accounting Education Foundation (Education Foundation) was incorporated to advance education, awareness and thought leadership related to the study, teaching and practice of accountancy and allied fields through charitable, educational and research initiatives.

The Texas Society of Certified Public Accountants CPE Foundation, Inc. (CPE Foundation) was organized for the advancement and encouragement of education and research in accounting in the following ways: through receipt of gifts, donations and grants and administering these on a charitable basis to promote education and research in accounting; through cooperation with professional nonprofit organizations in their education and research efforts; through sponsoring seminars, lectures, courses and similar activities on accounting and related subjects for members of the Society and other interested parties; and through other activities performed for the sole purpose of advancing and encouraging education and research in accounting at all levels. The board of directors of the CPE Foundation voted to merge the entity into the Education Foundation effective May 31, 2022. All assets and liabilities at the time of the merger were transferred to the Education Foundation.

The Texas Society of Certified Public Accountants Political Action Committee (CPA/PAC) was formed for the purpose of furthering the interests of the accounting profession in the state of Texas by making campaign contributions to selected state legislators and other elected state officials.

The Texas Society of Certified Public Accountants Peer Assistance Foundation (Peer Assistance) was organized to provide assistance to members with drug and alcohol related problems and mental health related conditions. Peer Assistance is funded through contributions from the membership of the Society and grants provided by the Texas State Board of Public Accountancy. The board of directors voted to dissolve Peer Assistance effective May 31, 2022. Remaining assets and liabilities at the time of dissolution were transferred to the Society.

Texas Society of Certified Public Accountants and Affiliates

Notes to Combined Financial Statements

The Texas Society of Certified Public Accountants Insurance Trust (Insurance Trust) was formed to offer group life, health and other insurance products to qualified members of the Society, their eligible employees and their families at favorable group rates. The Insurance Trust does not retain the insurance risk associated with the activity.

The combined financial statements include the activities of the Society, Education Foundation, CPE Foundation, CPA/PAC, Peer Assistance and Insurance Trust (collectively, the Organization). The Organization is supported primarily by membership dues, fees for meetings and educational activities, fees for peer review assistance and public contributions from individuals, corporations and other organizations.

2. Summary of Significant Accounting Policies

The accounting policies of the Organization conform to accounting principles generally accepted in the United States of America (GAAP). The more significant accounting policies of the Organization are described below.

Combined Financial Statements

In accordance with the provisions of FASB ASC 958-810 *Not-for-Profit Entities/Consolidations*, the financial statements of the Organization have been combined, and all inter-organization transactions and accounts have been eliminated.

The individual entities have interrelated directors/trustees and share common facilities and personnel. Various expenses, including occupancy costs and salaries, have been allocated among the Society, the Education Foundation and the Insurance Trust based upon services rendered by common personnel and usage of common facilities. Except for the Insurance Trust, all of the entities are nonprofit organizations.

Basis of Accounting

The Organization prepares the combined financial statements on the accrual basis of accounting.

Texas Society of Certified Public Accountants and Affiliates

Notes to Combined Financial Statements

Combined Financial Statement Presentation

Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

Net assets without donor restrictions - Net assets not subject to donor-imposed stipulations. Net assets without donor restrictions may be designated for specific purposes by action of the board of directors/trustees for the respective entity.

Net assets with donor restrictions - Net assets subject to donor stipulations that will be met by actions of the Organization and/or the passage of time.

Some net assets with donor restrictions include a stipulation that assets provided be maintained permanently (perpetual in nature) while permitting the Organization to expend the income generated by the assets in accordance with the provisions of additional donor-imposed stipulations or a board of directors/trustees approved spending policy.

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Expirations of donor restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets. Contributions with donor-imposed restrictions that are met in the same year as the contributions were received are reported as net assets without donor restrictions.

Financial Instruments and Credit and Market Risk Concentrations

Financial instruments which are potentially subject to concentrations of credit risk consist principally of cash and cash equivalents, accounts receivable and investments in marketable securities. Cash and cash equivalents are placed with high credit quality financial institutions to minimize risk. Accounts receivable are unsecured and are continually evaluated by the Organization for collectability. Allowances for potential losses are maintained, if considered necessary. Marketable securities are subject to various risks, such as interest rate, credit and overall market volatility risks.

The Organization maintains cash balances at various financial institutions located in Texas. Accounts at these institutions are insured by the Federal Deposit Insurance Corporation up to \$250,000. At May 31, 2023, the Organization's uninsured balances totaled \$4,070,528.

Texas Society of Certified Public Accountants and Affiliates

Notes to Combined Financial Statements

The allowance for doubtful accounts totaled \$7,416 and \$6,500 as of May 31, 2023 and 2022, respectively. All receivables are expected to be collected within one year.

Cash and Cash Equivalents

For the purposes of the combined statements of cash flows, the Organization considers cash and cash equivalents to consist of petty cash, demand deposits, commercial paper and money market accounts, all of which are considered to be highly liquid and have original maturities of three months or less. Money market accounts related to investment accounts and marketable securities are excluded from the definition of cash and cash equivalents.

Dividend on Deposit

At May 31, 2023 and 2022, the Insurance Trust had dividends on deposit with an insurance company totaling \$1,261,997 and \$1,265,048, respectively. The dividends on deposit must be used for the benefit of the members participating in the insurance plans and are the result of dividends payable to the Insurance Trust based on underwriting profits related to its insurance program. Since the account balance could vary as future claims are paid, the Organization has not recorded an asset related to this amount. From time to time, the Organization may request that dividends be utilized to cover certain premiums for participants. In addition, the Organization may request distributions to cover allowable expenses to manage the insurance program, and dividend revenue is recognized as amounts are received.

Investments

Investments in marketable equity and debt securities are carried at fair value. Investment income, including unrealized gains and losses, is recognized in the appropriate net asset category, according to the existence or absence of donor-imposed restrictions.

Fixed Assets

Furniture, equipment and leasehold improvements are stated at cost. Depreciation is provided for using the straight-line method over the estimated useful lives of the assets ranging from three to ten years. Maintenance and repairs are charged to expense as incurred; major improvements greater than \$5,000 are capitalized.

The Organization capitalizes qualifying computer software costs incurred during the application development stage. For financial reporting purposes, capitalized software costs are amortized using the straight-line method over five years. The amount of costs capitalized within any period is dependent on the nature of software development activities and projects in each period.

Texas Society of Certified Public Accountants and Affiliates

Notes to Combined Financial Statements

Revenue Recognition

Membership dues are recognized as revenue over the membership period. Peer review administrative fees are recognized annually, and peer review assistance fees are recognized when review engagements are completed. Revenues from professional education programs are recognized in the period the programs are held. Advertising revenues and management fees are recognized when the services are rendered. Royalties and affinity program revenues are recognized in the period earned. Revenues collected in advance are deferred until earned. Deferred revenue is expected to be recognized as revenue in the following year.

Contributed Services

Donated services are recognized as contributions at their estimated fair value if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. The Organization recognizes in-kind contribution revenue and a corresponding expense in an amount approximating the estimated fair value at the time of the donation. The Organization receives significant in-kind contributions of time and pro bono services from its members related to program operations, including involvement with committees, chapters and member events. The value of this contributed time is not reflected in the combined financial statements since it does not meet the criteria under GAAP for recognition as a contribution.

During the year ended May 31, 2022, the Organization received donated services for legal consultation with a total value of \$193,901, which were valued at the standard hourly rates charged for those services. All donated services were utilized by the Organization's supporting services. There were no donor-imposed restrictions associated with the donated services.

Advertising Costs

Advertising costs are expensed as incurred and totaled \$25,089 and \$50,982 for the years ended May 31, 2023 and 2022, respectively.

Use of Estimates

The preparation of combined financial statements in conformity with GAAP requires the Organization's management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the combined financial statements and the reported revenues and expenses during the reporting period. Actual results could differ from those estimates.

Texas Society of Certified Public Accountants and Affiliates

Notes to Combined Financial Statements

Functional Allocation of Expenses

The costs of providing the Organization's various programs and activities have been summarized on a functional basis in the combined statements of activities and changes in net assets. Accordingly, certain costs have been allocated among the various programs and supporting services benefited.

Costs specifically identifiable to only one function are charged 100% to that function. Expenses not directly chargeable to one functional category are allocated based upon estimated percentages of time and effort.

Income Taxes

The Society, Education Foundation, CPE Foundation, and Peer Assistance are nonprofit organizations exempt from federal income tax under various sections of the Internal Revenue Code (Code), and as such, are subject to income taxes only on unrelated business income. The CPA/PAC is a political nonprofit organization subject to federal income taxes on its investment income. None of the entities are private foundations as defined in the Code.

The Insurance Trust is subject to federal income taxes. The provision for federal income taxes includes currently payable and deferred taxes arising from temporary differences between income reported for combined financial statements and income tax purposes. These temporary differences result from income and expenses being recognized on the cash basis for tax purposes (see Note 13).

GAAP requires the evaluation of tax positions taken in the course of preparing the Organization's tax returns and recognition of a tax liability (or asset) if the Organization has taken an uncertain position that more likely than not would not be sustained upon examination by the Internal Revenue Service. Management has analyzed the tax positions taken by the Organization, and has concluded that as of May 31, 2023 and 2022, there are no uncertain tax positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the combined financial statements.

Reclassifications

Certain reclassifications have been made to the May 31, 2022 combined financial statements to reclassify endowment investments from other investments to conform to the May 31, 2023 presentation.

Texas Society of Certified Public Accountants and Affiliates

Notes to Combined Financial Statements

Accounting Pronouncements Adopted

The Organization adopted Accounting Standards Update 2016-02, *Leases* (Topic 842). The guidance in the ASU supersedes the current leasing guidance. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the combined statement of financial position for all leases with terms longer than 12 months. Leases are classified as either finance or operating, with classification affecting the pattern of expense recognition in the combined statement of activities. The ASU also required expanded disclosures related to the amount, timing and uncertainty of cash flows arising from leases. The Organization adopted the provisions from ASU 2016-02 and recorded the impact of the adoption as of June 1, 2022, using the modified retrospective method resulting in the recording of a right-of-use asset and right-of-use liability totaling \$196,970. No changes were required to net assets as of June 1, 2022.

3. Fair Value Measurements

Under the Fair Value Measurements and Disclosures topic of the Codification, ASC 820, disclosures are required about how fair value is determined for assets and liabilities and a hierarchy for which these assets and liabilities must be grouped is established, based on significant levels of inputs as follows:

- Level 1 Inputs to the valuation methodology are quoted prices available in active markets;
- Level 2 Inputs to the valuation methodology are other than quoted prices in active markets, which are either directly or indirectly observable;
- Level 3 Inputs to the valuation methodology are unobservable inputs in which little or no market data exists, therefore requiring an entity to make its own assumptions.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The following is a description of the valuation methodologies for assets and liabilities measured at fair value, including the general classification of such instruments pursuant to the valuation hierarchy:

At May 31, 2023 and 2022, the Organization has Level 1 investments which are measured at fair value on a recurring basis.

In general, and where applicable, the Organization uses quoted prices in active markets for identical assets to determine fair value. This pricing methodology applies to Level 1 financial assets.

Texas Society of Certified Public Accountants and Affiliates

Notes to Combined Financial Statements

4. Investments

The Organization measures its investments at fair value. Fair values of assets measured on a recurring basis using Level 1 inputs are as follows at May 31:

	2023	2022
Money market funds	\$ 2,968,583	\$ 755,729
Equity securities	6,875,249	7,323,363
International securities	2,407,993	2,233,765
Bond funds	6,226,327	7,912,175
Totals	\$ 18,478,152	\$ 18,225,032

The following schedule summarizes net investment loss for the years ended May 31:

	2023	2022
Interest and dividends	\$ 499,026	\$ 340,945
Unrealized and realized gains (losses) on investments	(745,385)	(1,499,597)
Net investment loss	\$ (246,359)	\$ (1,158,652)

5. Fixed Assets

Fixed assets are summarized as follows at May 31:

	2023	2022
Furniture	\$ 15,410	\$ 219,134
Equipment and software	929,353	1,298,889
Leasehold improvements	46,579	82,528
	991,342	1,600,551
Less: accumulated depreciation	(911,193)	(1,583,078)
	\$ 80,149	\$ 17,473

Depreciation expense related to the above fixed assets totaled \$14,610 and \$35,501 for the years ended May 31, 2023 and 2022, respectively.

Texas Society of Certified Public Accountants and Affiliates

Notes to Combined Financial Statements

6. Deferred Revenue

The following schedule summarizes deferred revenue at May 31:

	<u>2023</u>	<u>2022</u>
Membership fees paid in advance	\$ 2,783,828	\$ 3,049,417
Course fees paid in advance	397,877	236,730
Peer review fees paid in advance	288,980	230,215
Other deferred revenue	<u>61,262</u>	<u>64,815</u>
	<u>\$ 3,531,947</u>	<u>\$ 3,581,177</u>

7. Coronavirus Aid, Relief, and Economic Security Act

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security (CARES) Act was signed into law. In April 2020, the CPE Foundation and Peer Assistance entered into unsecured loan agreements (PPP Loans) totaling \$73,455 and \$21,773, respectively, with a bank pursuant to the Paycheck Protection Program (PPP), which is sponsored by the Small Business Administration, and is part of the CARES Act. On January 28, 2021, the Society entered into a PPP loan totaling \$726,704. On July 12, 2021, the CPE Foundation entered into a PPP loan totaling \$92,300. The Organization has elected to account for its PPP loans as conditional grants in accordance with Financial Accounting Standards Board Accounting Standard Codification Topic 958. As such, the portions received but not yet spent on allowable expenditures at year end have been recorded as refundable advances on the combined statements of financial position. The portions received and spent on allowable expenditures during the year ended May 31, 2022 totaled \$304,255 and has been recognized as revenue and included in government grant revenue on the combined statement of activities. On February 9, 2022, the Organization received formal forgiveness of the CPE Foundation's second PPP loan totaling \$92,300. On May 27, 2022, the Organization received formal forgiveness of the Society's second PPP loan totaling \$726,704.

8. Related Party Transactions

The Society shares office space with the Austin Chapter. The space is under a joint lease by both the Austin Chapter and the Society. Expenses are allocated to the Austin Chapter based on the square footage used by the entities, and the Society's share of rent totaled \$29,617 and \$29,092 during the years ended May 31, 2023 and 2022, respectively.

Texas Society of Certified Public Accountants and Affiliates

Notes to Combined Financial Statements

The Society has a management agreement with the Austin Chapter to provide staff leadership, necessary personnel and management expertise to accomplish all the required staff functions for the effective operation of the chapter. Under the current agreement, which is in effect from June 1, 2013 until May 31, 2026, the Austin Chapter agrees to pay the Society a fixed service fee each month to cover only the staffing functions that will be performed under this agreement. For the years ended May 31, 2023 and 2022, the fixed monthly service fee was \$18,400 and \$17,690, respectively.

The Society has a management agreement with the Corpus Christi Chapter to provide staff leadership and necessary personnel and management expertise to accomplish all the required staff functions for the effective operation of the chapter. Under the current agreement, which commenced on June 1, 2013 and is in effect until May 31, 2025, the Corpus Christi Chapter agreed to pay the Society a fixed service fee each month to cover only the staffing functions that will be performed under this agreement. For the years ended May 31, 2023 and 2022, the fixed monthly service fee was \$1,950 and \$1,850, respectively.

The Society has a management agreement with the Permian Basin Chapter to provide staff leadership and necessary personnel and management expertise to accomplish all the required staff functions for the effective operation of the chapter. Under the current agreement, which commenced June 1, 2013 and is in effect until May 31, 2024, the Permian Basin Chapter agreed to pay the Society a fixed service fee each month to cover only the staffing functions that will be performed under this agreement. For the years ended May 31, 2023 and 2022, the fixed monthly service fee was \$1,850 and \$1,800, respectively.

The Society has a management agreement with the Southeast Texas Chapter to provide staff leadership and necessary personnel and management expertise to accomplish all the required staff functions for the effective operation of the chapter. Under the current agreement, which commenced on June 1, 2013 and is in effect until May 31, 2025, the Southeast Texas Chapter agreed to pay the Society a fixed service fee each month to cover only the staffing functions that will be performed under this agreement. For the years ended May 31, 2023 and 2022, the fixed monthly service fee was \$1,325 and \$1,250, respectively.

The Society has a management agreement with the East Texas Chapter to provide staff leadership and necessary personnel and management expertise to accomplish all the required staff functions for the effective operation of the chapter. Under the current agreement, which commenced on April 1, 2019 and is in effect until May 31, 2025, the East Texas Chapter agreed to pay the Society a fixed service fee each month to cover only the staffing functions that will be performed under this agreement. For the years ended May 31, 2023 and 2022, the fixed monthly service fee was \$3,750 and \$3,658, respectively.

Texas Society of Certified Public Accountants and Affiliates

Notes to Combined Financial Statements

The Society has a management agreement with the Victoria Chapter to provide staff leadership and necessary personnel and management expertise to accomplish all the required staff functions for the effective operation of the chapter. Under the current agreement, which commenced on September 20, 2021 and is in effect until May 31, 2024, the Victoria Chapter agreed to pay the Society a fixed service fee each month to cover only the staffing functions that will be performed under this agreement. For the years ended May 31, 2023 and 2022 the fixed monthly service fee was \$1,050 and \$1,000, respectively.

The Society has a management agreement with the Fort Worth Chapter to provide staff leadership and necessary personnel and management expertise to accomplish all the required staff functions for the effective operation of the chapter. Under the current agreement, which commenced on June 1, 2022 and is in effect until May 31, 2025, the Fort Worth Chapter agreed to pay the Society a fixed service fee each month to cover only the staffing functions that will be performed under this agreement. For the year ended May 31, 2023, the fixed monthly service fee was \$10,400.

In addition to the related agreements noted above, the Society also collects and distributes dues and contributions for other local chapters.

9. Leases

In evaluating its contracts, the Organization separately identifies lease and nonlease components, such as common area and other maintenance costs, in calculating the right-of-use (ROU) assets and lease liabilities for its office spaces. The Organization has elected the practical expedient to not separate lease and nonlease components and classifies the contract as a lease if consideration in the contract allocated to the lease component is greater than the consideration allocated to the nonlease component.

Leases result in the recognition of ROU assets and lease liabilities on the combined statement of financial position. ROU assets represent the right to use an underlying asset for the lease term, and lease liabilities represent the obligation to make lease payments arising from the lease, measured on a discounted basis. The Organization determines lease classification as operating or finance at the lease commencement date.

At lease inception, the lease liability is measured at the present value of the lease payments over the lease term. The ROU asset equals the lease liability adjusted for any initial direct costs, prepaid or deferred rent, and lease incentives. The Organization uses the implicit rate when readily determinable. As most of the leases do not provide an implicit rate, the Organization uses the risk-free rate based on the information available at the commencement date to determine the present value of lease payments. Risk-free rates used to determine the present value of lease payments were derived by reference to the interest paid on short-term government debt.

Texas Society of Certified Public Accountants and Affiliates

Notes to Combined Financial Statements

The lease term may include options to extend or to terminate the lease that the Organization is reasonably certain to exercise. Lease expense is generally recognized on a straight-line basis over the lease term. The Organization has elected not to record leases with an initial term of 12 months or less on the statement of financial position.

Nature of Leases

The Organization leases two office spaces, in Austin and Dallas, under operating lease agreements which expire in December 2028 and October 2030, respectively. The leases require the Organization to pay all executory costs (taxes, utilities, insurance, etc.). Termination of the leases is generally prohibited unless there is a violation under the lease agreement.

Future minimum lease payments and a reconciliation to the combined statement of financial position at May 31, 2023 are as follows for the years ending May 31:

2024	\$	177,475
2025		177,475
2026		177,475
2027		177,475
2028		177,475
Thereafter		<u>371,932</u>
Total future undiscounted lease payments		1,259,307
Less present value discount		<u>(181,833)</u>
Operating lease liabilities	\$	<u><u>1,077,474</u></u>

The following lease cost and required information for the year ended May 31, 2023:

Total operating lease cost	\$	<u>29,617</u>
Other information		
Cash paid for amounts included in the measurement of lease liabilities:		
Cash flows from operating leases	\$	<u>18,443</u>
Right-of-use assets obtained in exchange for new operating lease liabilities	\$	<u>1,095,917</u>
Weighted-average remaining lease term		<u>6.41 years</u>
Weighted-average discount		<u>4.34%</u>

Texas Society of Certified Public Accountants and Affiliates

Notes to Combined Financial Statements

10. Employee Benefit Plan

The Organization established a 401(k) plan (Plan) for its employees. Participants may elect to defer from 1% to 60% of their annual compensation under the Plan, up to the maximum amount allowed by the Code. The Organization will match participant contributions up to 4% of compensation based on years of service. Additionally, the Organization makes an annual nonelective employer contribution in an amount equal to 6% of the annual compensation of all eligible participants. Participants are fully vested in their contributions; they become vested in the Organization's matching and nonelective employer contributions at 20% per year beginning with the first year of credited service and become fully vested in these contributions at the end of the fifth year of credited service.

The nonelective employer contribution expense totaled \$185,271 and \$175,403 for the years ended May 31, 2023 and 2022, respectively. The Organization's matching contribution expense totaled \$108,149 and \$97,323 for the years ended May 31, 2023 and 2022, respectively.

11. Net Assets

At May 31, 2023 and 2022, net assets without donor restrictions included \$435,736 and \$2,591,657, respectively, designated by the board of directors for Continuing Professional Education. See Note 12 for information on board-designated endowments.

12. Endowment Funds

Board-Designated Endowments

As required by GAAP, net assets associated with endowment funds, including funds designated by the Organization to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

As of May 31, 2023 and 2022, the Organization had designated \$3,824,645 and \$4,005,026, respectively, of net assets without donor restrictions as a general endowment fund to support scholarships for students and other accounting education initiatives. Since that amount resulted from an internal designation and is not donor-restricted, it is classified and reported as net assets without donor restrictions.

Texas Society of Certified Public Accountants and Affiliates

Notes to Combined Financial Statements

The Organization's approved spending policy was created to protect the values of the endowments. Distribution of funds is determined annually during budgetary board of directors/trustees meetings. To achieve the objectives of the endowments, the Organization has adopted an investment policy that attempts to maximize total return, consistent with an acceptable level of risk. Endowment assets are invested in a well-diversified asset mix, which includes equity and debt securities, that is intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make annual distributions, while growing the fund, if possible. Accordingly, the Organization expects its endowment assets, over time, to produce an average rate of return in line with the Organization's investment policy.

Actual returns in any given year may vary. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

Donor-Restricted Endowments

As of May 31, 2023 and 2022, the Organization maintained various individual donor-restricted endowments. The donor-restricted endowments received specified that the funds be restricted in perpetuity. Donor-restricted endowments follow the Organization's spending policy for the Education Foundation. The purpose of the endowments is to provide scholarships for accounting students pursuing accounting course work that qualifies the student to sit for the certified public accountancy exam.

The Organization has interpreted the Texas Uniform Prudent Management of Institutional Funds Act (TUPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as donor-restricted net assets (a) the original value of gifts donated in perpetuity, (b) the original value of subsequent gifts and (c) accumulations to donor-restricted endowments made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. All of these net assets are also subject to purpose restrictions that must be met before being reclassified to net assets without donor restrictions.

Texas Society of Certified Public Accountants and Affiliates

Notes to Combined Financial Statements

In accordance with TUPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Organization, and (7) the Organization's investment policies.

The Organization has adopted investment policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds, while also maintaining the purchasing power of those endowment assets over the long-term. Endowment assets are invested in a well-diversified asset mix, which includes equity and debt securities, that is intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make annual distributions, while growing the funds if possible. Actual returns in any given year may vary from this amount. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

Endowment funds are categorized in the following net asset classes as at May 31:

	2023		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	\$ -	\$ 371,948	\$ 371,948
Board-designated endowment funds	3,824,645	-	3,824,645
Total endowment funds	<u>\$ 3,824,645</u>	<u>\$ 371,948</u>	<u>\$ 4,196,593</u>
	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	\$ -	\$ 303,464	\$ 303,464
Board-designated endowment funds	4,005,026	-	4,005,026
Total endowment funds	<u>\$ 4,005,026</u>	<u>\$ 303,464</u>	<u>\$ 4,308,490</u>

Texas Society of Certified Public Accountants and Affiliates
Notes to Combined Financial Statements

Changes in the endowment funds by net asset classification for the years ended May 31:

	2023		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 4,005,026	\$ 303,464	\$ 4,308,490
Contributions	30,510	96,835	127,345
Investment income	83,377	5,353	88,730
Unrealized and realized losses	(133,103)	(9,979)	(143,082)
Other income	151,000	275	151,275
Appropriation of assets for expenditure	(312,165)	(24,000)	(336,165)
Endowment net assets, end of year	<u>\$ 3,824,645</u>	<u>\$ 371,948</u>	<u>\$ 4,196,593</u>
	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 4,260,898	\$ 178,756	\$ 4,439,654
Contributions and other income	-	140,208	140,208
Investment income	83,034	-	83,034
Unrealized and realized losses	(192,516)	-	(192,516)
Appropriation of assets for expenditure	(146,390)	(15,500)	(161,890)
Endowment net assets, end of year	<u>\$ 4,005,026</u>	<u>\$ 303,464</u>	<u>\$ 4,308,490</u>

Texas Society of Certified Public Accountants and Affiliates

Notes to Combined Financial Statements

13. Federal Income Taxes

The federal income tax provision consists of the following for the years ended May 31:

	<u>2023</u>	<u>2022</u>
Current income tax expense	\$ 15,012	\$ 17,192
Deferred income tax benefit	<u>(48,797)</u>	<u>(236,468)</u>
Federal income tax benefit	<u>\$ (33,785)</u>	<u>\$ (219,276)</u>

The deferred tax liability consists of the following as of May 31:

	<u>2023</u>	<u>2022</u>
Unrealized cumulative gains on investments	\$ 66,430	\$ 147,927
Other	<u>24,727</u>	<u>(7,973)</u>
Net deferred tax liability	<u>\$ 91,157</u>	<u>\$ 139,954</u>

Income tax expense for the years ended May 31, 2023 and 2022 differs from the amount computed by multiplying the statutory federal income tax rate times income before income taxes, because deferred income taxes are based on average tax rates.

14. Grants

The Society was granted awards totaling approximately \$134,000 and \$107,000 for the years ended May 31, 2023 and 2022, respectively, from the Texas State Board of Public Accountancy. The awards are to be utilized for the purpose of increasing awareness and utilization of the Peer Assistance program. The Society recognized \$127,565 and \$80,625 as government grant revenue in the combined statements of activities and changes in net assets for the years ended May 31, 2023 and 2022, respectively. In addition, \$33,563 and \$26,875 in deferred grant revenue was included in the combined statements of financial position as of May 31, 2023 and 2022, respectively.

Texas Society of Certified Public Accountants and Affiliates
Notes to Combined Financial Statements

15. Liquidity and Availability of Resources

The Organization's financial assets available within one year of the combined statements of financial position date for general expenditure are as follows at May 31:

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 5,137,168	\$ 6,231,004
Investments	18,478,152	18,225,032
Accounts receivable, net	<u>77,244</u>	<u>44,626</u>
Total financial assets	23,692,564	24,500,662
Less amounts not available to management without board of directors' approval:		
Board-designated endowment fund	(3,824,645)	(4,005,026)
Board-designated for Continuing Professional Education	(435,736)	(2,591,696)
Restricted in perpetuity	<u>(371,948)</u>	<u>(303,464)</u>
Total financial assets available to meet cash needs for general expenditures within one year	<u>\$ 19,060,235</u>	<u>\$ 17,600,476</u>

The Organization strives to maintain liquid financial assets sufficient to cover general expenditures through the next member dues billing cycle (expected mid-April). Liquid financial assets in excess of minimum immediate cash requirements are invested in money market funds. Long-term financial assets are managed by the investments committee and housed at Vanguard.

16. Subsequent Events

Management has evaluated subsequent events through October 24, 2023, the date the financial statements were available to be issued, and concluded that no additional disclosures are required.

Supplementary Information

Texas Society of Certified Public Accountants and Affiliates
Combining Statement of Financial Position
May 31, 2023

	Texas Society of Certified Public Accountants	Accounting Education Foundation of the Texas Society of Certified Public Accountants, Inc.	Texas Society of Certified Public Accountants Political Action Committee	Texas Society of Certified Public Accountants Insurance Trust	Total
Assets					
Cash and cash equivalents	\$ 3,244,045	\$ 1,194,339	\$ 698,477	\$ 307	\$ 5,137,168
Investments	10,409,787	5,279,653	454,092	1,962,672	18,106,204
Accounts receivable, net	43,889	33,355	-	-	77,244
Federal income tax receivable	-	-	-	1,796	1,796
Deferred costs and prepaid expenses	239,171	85,150	-	-	324,321
Intercompany receivable (payable)	(234,624)	293,183	13,285	(71,844)	-
Investments restricted for endowment purposes	-	371,948	-	-	371,948
Right-of-use assets - operating leases, net	1,058,505	-	-	-	1,058,505
Fixed assets, net	80,149	-	-	-	80,149
Total assets	\$ 14,840,922	\$ 7,257,628	\$ 1,165,854	\$ 1,892,931	\$ 25,157,335
Liabilities and Net Assets					
Liabilities:					
Accounts payable and other liabilities	\$ 841,027	\$ 182,938	\$ 1,502	\$ -	\$ 1,025,467
Due to (from) local chapters	396,980	18,079	(934)	-	414,125
Deferred revenue	3,125,070	406,877	-	-	3,531,947
Deferred tax liability	-	-	-	91,157	91,157
Right-of-use liabilities - operating leases, net	1,077,474	-	-	-	1,077,474
Total liabilities	5,440,551	607,894	568	91,157	6,140,170
Net assets:					
Without donor restrictions	9,400,371	6,277,786	1,165,286	1,801,774	18,645,217
With donor restrictions	-	371,948	-	-	371,948
Total net assets	9,400,371	6,649,734	1,165,286	1,801,774	19,017,165
Total liabilities and net assets	\$ 14,840,922	\$ 7,257,628	\$ 1,165,854	\$ 1,892,931	\$ 25,157,335

Texas Society of Certified Public Accountants and Affiliates
Combining Statement of Activities and Changes in Net Assets
Year Ended May 31, 2023

	Texas Society of Certified Public Accountants	Accounting Education Foundation of the Texas Society of Certified Public Accountants, Inc.	Texas Society of Certified Public Accountants Political Action Committee	Texas Society of Certified Public Accountants Insurance Trust	Total
Net assets without donor restrictions:					
Revenues and other support:					
Membership dues	\$ 4,689,509	\$ -	\$ -	\$ -	\$ 4,689,509
Continuing professional education	-	1,927,953	-	-	1,927,953
Peer review	950,131	-	-	-	950,131
Contributions	-	6,534	96,262	-	102,796
Government grant revenue	127,565	-	-	-	127,565
Sponsorships	88,750	108,518	-	-	197,268
Chapter management fees	464,700	-	-	-	464,700
Royalties	158,125	-	-	-	158,125
Net investment loss	(134,368)	(73,853)	(6,191)	(27,321)	(241,733)
Other income	29,593 &	180,036	-	-	209,629
Net assets released from restrictions	-	24,000	-	-	24,000
Total revenues and other support	6,374,005	2,173,188	90,071	(27,321)	8,609,943
Expenses:					
Member activities	1,928,318	-	-	-	1,928,318
Continuing education	658,666 *	2,155,960	-	-	2,814,626
Regulatory and legislative	594,838	-	183,542	-	778,380
Peer review	850,269	-	-	-	850,269
Accounting education	167,748 #	336,165	-	-	503,913
External relations	37,005	-	-	-	37,005
General and administrative	2,360,228	-	-	-	2,360,228
Insurance trust	15,673 ^	-	-	37,600	53,273
Total expenses	6,612,745	2,492,125	183,542	37,600	9,326,012
Decrease in net assets without donor restrictions before taxes	(238,740)	(318,937)	(93,471)	(64,921)	(716,069)
Federal income tax expense (benefit)	-	-	3,728	(37,513)	(33,785)
Decrease in net assets without donor restrictions	(238,740)	(318,937)	(97,199)	(27,408)	(682,284)
Net assets with donor restrictions:					
Contributions	-	96,835	-	-	96,835
Net investment loss	-	(4,626)	-	-	(4,626)
Other income	-	275	-	-	275
Releases from net assets with donor restrictions	-	(24,000)	-	-	(24,000)
Increase in net assets with donor restrictions	-	68,484	-	-	68,484
Decrease in net assets	(238,740)	(250,453)	(97,199)	(27,408)	(613,800)
Net assets at beginning of year	9,639,111	6,900,187	1,262,485	1,829,182	19,630,965
Net assets at end of year	\$ 9,400,371	\$ 6,649,734	\$ 1,165,286	\$ 1,801,774	\$ 19,017,165

& This amount is reported net of intercompany transfers to the Education Foundation totaling \$150,000.

* This amount is reported net of intercompany charges totaling \$375,000.

This amount is reported net of intercompany charges totaling \$25,000.

^ This amount is reported net of intercompany charges totaling \$25,000.

Texas Society of Certified Public Accountants and Affiliates

Combining Statement of Cash Flows

Year Ended May 31, 2023

	Texas Society of Certified Public Accountants	Accounting Education Foundation of the Texas Society of Certified Public Accountants, Inc.	Texas Society of Certified Public Accountants Political Action Committee	Texas Society of Certified Public Accountants Insurance Trust	Total
Cash flows from operating activities:					
Decrease in net assets	\$ (238,740)	\$ (250,453)	\$ (97,199)	\$ (27,408)	\$ (613,800)
Adjustments to reconcile decrease in net assets to net cash provided (used) by operating activities					
Depreciation	6,635	7,975	-	-	14,610
Amortization of right-of-use assets - operating leases	37,412	-	-	-	37,412
Change in allowance for doubtful accounts	-	916	-	-	916
Change in deferred tax liability	-	-	-	(48,797)	(48,797)
Net realized and unrealized losses on investments	449,714	207,107	16,641	71,923	745,385
Changes in assets and liabilities:					
Accounts receivable	(17,559)	(15,975)	-	-	(33,534)
Federal income tax receivable	-	-	-	(1,796)	(1,796)
Deferred costs and prepaid expenses	(71,772)	(23,130)	-	-	(94,902)
Intercompany receivable (payable)	33,156	(84,058)	5,302	45,600	-
Accounts payable and other liabilities	31,683	(14,794)	1,502	-	18,391
Federal income tax payable	-	-	-	(177)	(177)
Due to local chapters	37,427	23,146	1,401	-	61,974
Deferred revenue	(192,377)	143,147	-	-	(49,230)
Deferred rent	(36,054)	-	-	-	(36,054)
Right-of-use liabilities - operating leases	(18,443)	-	-	-	(18,443)
Net cash provided (used) by operating activities	21,082	(6,119)	(72,353)	39,345	(18,045)
Cash flows from investing activities:					
Purchases of investments	(2,908,252)	(224,111)	(18,007)	(77,829)	(3,228,199)
Proceeds from sales of investments	2,093,104	95,676	7,687	33,227	2,229,694
Purchases of fixed assets	(77,286)	-	-	-	(77,286)
Net cash used by investing activities	(892,434)	(128,435)	(10,320)	(44,602)	(1,075,791)
Net decrease in cash and cash equivalents	(871,352)	(134,554)	(82,673)	(5,257)	(1,093,836)
Cash and cash equivalents at beginning of year	4,115,397	1,328,893	781,150	5,564	6,231,004
Cash and cash equivalents at end of year	\$ 3,244,045	\$ 1,194,339	\$ 698,477	\$ 307	\$ 5,137,168
Supplemental cash flow information:					
Right-of-use assets obtained in exchange for new lease liabilities	\$ 1,095,917	\$ -	\$ -	\$ -	\$ 1,095,917